

Report on Chinese currency delayed

Economic woes put spotlight on China's alleged currency manipulation

by **FRANCIS B. ALLGOOD**
fallgood@gsabusiness.com

A U.S. Treasury report due April 15 on whether China is manipulating its currency will be delayed – a postponement to possible intervention that Upstate manufacturers have sought for years.

"Over the last year or so China's currency has stabilized and hasn't moved," said Gordon Smith, assistant professor of economics at Anderson University. "Most economists still feel it is undervalued and probably will remain undervalued."

For years manufacturers have appealed to the federal government to levy safeguards to protect American textiles and other goods from Chinese imports. Many argue the Chinese government devalues the Yuan by as much as 40%.

The Treasury's decision to delay the report comes at a time where "high-level" meetings are taking place between the U.S. and China to discuss other international matters.

According to Stan McAfee, senior vice president and foreign exchange manager at Carolina First Bank, Chinese renminbi (Yuan) is trading at 6.8225 to the dollar. According to projections, it should improve to 6.7840 in three months. The five-year future forward price is 5.995.

Lloyd Wood, spokesperson for the American Manufacturing Trade Action Coalition – an organization that started in 2002 with Roger Milliken, chief executive of Spartanburg-based Milliken & Co., as co-chairman – says now that 8.5 million jobs have been lost during the latest recession, more people are listening to the message of AMTAC and the Fair Currency Coalition.

"South Carolina has fewer jobs than a decade ago," he said. "The (national) debt and other imbalances out there have kind of created a perfect storm to force an is-

sue to the forefront."

In March, 130 members of Congress, including U.S. Reps. Gresham Barrett, Henry Brown, Bob Inglis, John Spratt and Joe Wilson, signed a bipartisan letter to Treasury Secretary Tim Geithner and Commerce Secretary Gary Locke urging them to address China currency manipulation.

In another letter to Locke signed by 15 senators, U.S. Sen. Lindsay Graham said, "I am convinced that the Chinese government manipulates its currency in a man-

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ner that creates an unfair advantage for Chinese companies competing with the United States and the rest of the world. Because the Yuan is artificially devalued by 15%-40% below its true market value, American companies are losing market share for an unacceptable reason."

According to Wood, other countries would improve their currency if the Yuan were revalued.

Smith, on the other hand, disagrees. He co-authored a study that examined various currencies in East Asia.

"The way the production is set up over there, even if you appreciate the Yuan, some other east Asian country will take its place as an exporter to the

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U.S.," he said.

Wood said the United States is not the only country hurt by Chinese imports. If named a manipulator by the Treasury, it triggers a negotiation process, which Wood said might not be enough for China to change its policy. He says an act by Congress might be needed.

McAfee said the future price of the renminbi suggests the Chinese government will improve its currency, albeit perhaps not as fast as some would prefer.

"The world is telling them you are in a surplus position with a lot of growth and

a lot of buying power," he added. "Now we'd like to see you open up and start importing from other countries and help the overall global economy. China has been reluctant to do that so far."

When it comes to global economics, the U.S. might not have much wiggle room. China is one of the largest holders of U.S. government debt.

"The main issue is how much debt we are incurring in the world market," Smith said. "We are not in a bad position now, but we are moving into that position." (B)